

OB3A LOAN PRORATION

Student Loan Schedule of Reduction

A step-by-step process for calculating prorated annual loan limits for students enrolled less than full-time.

PRESENTED AT

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START HERE

What the Schedule of Reduction Does

Under the One Big Beautiful Bill Act (OB3A), the amount a student may borrow for an academic year is reduced when the student is enrolled less than full-time. The reduction is proportional to how far below full-time the student is enrolled — and it is evaluated each time funds are disbursed.

Begins 2026–2027

First applies in the 2026–27 award year. Final regulations are still pending.

Proportional reduction

Reduce the annual loan limit in proportion to the degree the student is below full-time.

Evaluated at disbursement

Status is assessed at every disbursement; the student must be at least half-time to receive funds.

Institution sets full-time

Your institution defines the credit hours that count as full-time for the program.

THE FRAMEWORK

The Loan Reduction Process — Four Steps

1

STEP 1

Determine eligibility

Find the loan amount the borrower is eligible to receive based on grade level, dependency, full year, and full-time status.

2

STEP 2

Set the proration %

If less-than-full-time enrollment is anticipated before the first disbursement, determine the annual loan limit percentage.

3

STEP 3

Apply to the period

Calculate the share of the award or annual loan limit that the term represents — for a single term or when transferring.

4

STEP 4

Multiply for the amount

Multiply that percentage by the borrower's loan eligibility to get the limit for less-than-full-time status.

Steps 1–2 happen up front, at packaging. Steps 3–4 are repeated at every disbursement and recalculated whenever enrollment changes.

THE MATH

The Proration Formula

Reduced annual loan limit percentage =

$$\frac{\text{Credit hours enrolled for the academic year}}{\text{Credit hours considered full-time for that year}} \times 100$$

Remember the order —

1) **Divide** enrolled ÷ full-time 2) **Multiply** × 100 3) **Round** to the nearest whole %

QUICK EXAMPLE

Student enrolls 9 hours; full-time for the term is 12 hours.

Divide	9 ÷ 12 = 0.75
Multiply	0.75 × 100 = 75%
Round	75% (no change)

Reduced limit = 75%

HOW TO CALCULATE

Working a Term, Step by Step

1

Count enrolled hours

Use the actual hours in the program of study that the student is enrolled for in for the period you are calculating.

2

Identify full-time

Use your institution's full-time hours — per term for the first disbursement, per academic year for later terms.

3

Divide & multiply

Enrolled ÷ full-time for term × 100. Round to the nearest whole percent.
Enrolled – Dropped + Enrolled ÷ full-time for AY × 100. Round to the nearest whole percent

4

Apply the percent

Multiply the percent by the term amount (first disbursement) or the annual limit (later terms). Round to the dollar.

5

Subtract prior disbursements

For later terms, subtract what was already disbursed to find what remains available.

QUICK REFERENCE

Reduction Rules & Guardrails

WHICH LOANS ARE REDUCED?

Direct Subsidized	REDUCED
Direct Unsubsidized	REDUCED
Grad PLUS	REDUCED
Parent PLUS	NO CHANGE

Rounding

- Round the percentage to the nearest whole percent.
- Round each disbursement to the dollar.

Guardrails

Half-time floor — below half-time means no disbursement for the term.

150% cap — a term percentage above 100% can never disburse more than the amount the student is eligible for.

First-disbursement cap — never disburse more than the per-term award amount.

Dropped courses — recalculate when a student drops; adjust the next term or return funds.

WORKED EXAMPLE

Less-Than-Full-Time, No Drop

SCENARIO 1

STUDENT 1st-year dependent undergrad · $3,500 SUB / $2,000 UNSUB annual **POLICY** Full-time = 12/term, 24/year · awarded at full-time

Term	Hours used	Full-time	Proration	Disbursement
Fall	9 enrolled	12 (term)	**75%**	**$1,313 SUB · $750 UNSUB**
Spring	9 + 15 = 24	24 (year)	**100%**	**$2,187 SUB · $1,250 UNSUB**

Takeaway: Fall is prorated to 75% on the term amount. By Spring the student reaches full-time for the year (100%), so the remaining annual eligibility is released after subtracting what Fall already paid.

WORKED EXAMPLE

The Half-Time Floor

SCENARIO 3

STUDENT 3rd-year independent undergrad · awarded $2,750 SUB / $3,000 UNSUB per term **POLICY** Full-time = 12/term, 24/year

Term	Hours used	Full-time	Proration	Disbursement
Fall	15 enrolled	12 (term)	**125%**	**$2,750 SUB · $3,000 UNSUB**
Spring	3 enrolled	24 (year)	—	**No disbursement**

Takeaway: Fall prorates to 125%, but the first disbursement is still capped at the per-term award amount. In Spring the student is below half-time, so no loan funds can be disbursed for that term.

WORKED EXAMPLE

Recalculating After a Dropped Course

SCENARIO 6

STUDENT 2nd-year independent undergrad · $4,500 SUB / $6,000 UNSUB annual **POLICY** Full-time = 12/term, 24/year

Term	Hours used	Full-time	Proration	Disbursement
Fall	12 enrolled	12 (term)	**100%**	**$2,250 SUB · $3,000 UNSUB**
Spring*	12 − 9 + 9 = 12	24 (year)	**50%**	**$0 SUB · $0 UNSUB**

Takeaway: *Student drops 9 Fall hours. Recalculating with completed hours pulls the year proration to 50% ($2,250 SUB / $3,000 UNSUB). Fall already disbursed that full amount — so nothing remains for Spring.

WORKED EXAMPLE

Graduate Student — No Subsidized, Grad PLUS Reduced

SCENARIO 4

STUDENT Graduate · $20,500 UNSUB / $40,000 Grad PLUS annual **POLICY** Full-time = 9/term, 18/year

Term	Hours used	Full-time	Proration	Disbursement
Fall	6 enrolled	9 (term)	**67%**	**$6,868 UNSUB · $13,400 Grad PLUS**
Spring	6 + 9 = 15	18 (year)	**83%**	**$10,147 UNSUB · $19,800 Grad PLUS**

Takeaway: Graduates have no Subsidized eligibility. Both Unsubsidized and Grad PLUS are prorated. Note 6 ÷ 9 = 66.6% rounds up to 67%, and 15 ÷ 18 = 83.3% rounds to 83%. Spring releases the remaining annual eligibility.

WORKED EXAMPLE

Three Terms, a Spring Drop, and Parent PLUS

SCENARIO 7

STUDENT 3rd-year independent undergrad · $5,500 SUB / $6,000 UNSUB annual · $5,000 Parent PLUS/term **POLICY** Full-time = 12/term, 24/year · Fall/Spring/Summer awards

Term	Hours used	Full-time	Proration	Disbursement
Fall	15 enrolled	12 (term)	**125%**	**$1,834 SUB · $2,000 UNSUB · $5,000 PPLUS**
Spring	15 + 9 = 24	24 (year)	**100%**	**$1,833 SUB · $2,000 UNSUB · $5,000 PPLUS**
Summer*	24 − 9 + 6 = 21	24 (year)	**88%**	**$1,173 SUB · $1,280 UNSUB · $5,000 PPLUS**

Takeaway: *Student drops 9 Spring hours. Each term is capped at its award amount; Summer recalculates to 88% of the annual limit, then subtracts Fall + Spring. Parent PLUS is never reduced — it disburses $5,000 every term.



PUT IT INTO PRACTICE

Communicate the change early

- Has anyone created specific communication for students?
  - Messages, email, social, and newsletters
  - Banner

THANK YOU

Questions?

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